

TOWN OF GLENDALE, UTAH
FINANCIAL STATEMENTS
(UNAUDITED)
YEAR ENDED JUNE 30, 2005

TOWN OF GLENDALE

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CPA'S & ADVISORS

Review Report of Independent Certified Public Accountants

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The Honorable Mayor and
Town Council
Glendale, Utah

We have reviewed the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Glendale, Utah, as of and for the year ended June 30, 2005, which collectively comprise the Town's basic financial statements as listed in the table of contents, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of the Town of Glendale, Utah.

A review consists principally of inquiries of Entity personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

The Management's Discussion and Analysis is not a required part of the basic financial statement but is supplementary information required by the Governmental Accounting Standings Board. Such information has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, but was compiled from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

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February 16, 2006

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Glendale (Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2005. Please read it in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- Total assets exceed total liabilities (net assets) by \$755,465 at the close of the fiscal year.
- Total net assets increased by \$57,309.
- Total revenues from all sources were \$241,037 and the total cost of all Town programs was \$183,728.
- Total revenue received in the General Fund was \$46,352 less than the final budget and expenditures were \$35,979 less than the final budget.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$18,138 or 10% of total General Fund expenditures.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The three components of the financial statements are: (1) Government-wide financial statements which include the Statement of Net Assets and the Statement of Activities. These statements provide information about the activities of the Town as a whole. (2) Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements. (3) Notes to the financial statements.

Reporting the Town as a Whole

The Statement of Net Assets and the Statement of Activities (Government-wide)

A frequently asked question regarding the Town's financial health is whether the year's activities contributed positively to the overall financial well-being. The Statement of Net Assets and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net assets and changes in them. Net assets, the difference between assets and liabilities, are one way to measure the Town's financial health, or financial position. Over time, increases or decreases in net assets are an indicator of whether the financial health is improving or deteriorating. However, it is important to consider other non-financial factors such as changes in the Town's property tax base or jurisdiction, the availability of capital projects, and condition of the Town's assets to accurately assess the overall health of the Town. The Statement of Net Assets and the Statement of Activities, present information about the following:

Government activities – All of the Town’s basic services are considered to be governmental activities, including General Government, Public Safety, Highways and Streets, and Culture and Recreation. Property taxes, sales taxes, intergovernmental revenues and charges for services finance most of these activities.

- Proprietary activities/Business type activities – The Town currently only has one proprietary activities fund. It is the water fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of the Town’s financial position. The Town’s combined assets exceed liabilities by \$755,465 as of June 30, 2005 as shown on the following condensed statement of net assets.

	Governmental activities		Business-type activities	
	6/30/2005	6/30/2004	6/30/2005	6/30/2004
Current and other assets	\$ 98,710	\$ 100,448	\$ 43,760	\$ 30,576
Capital assets	376,136	335,132	617,101	636,634
Total assets	<u>474,846</u>	<u>435,580</u>	<u>660,861</u>	<u>667,210</u>
Long-term liabilities outstanding	98,000	109,000	280,932	293,957
Other liabilities	1,310	1,675	-	-
Total liabilities	<u>99,310</u>	<u>110,675</u>	<u>280,932</u>	<u>293,957</u>
Net assets:				
Invested in capital assets, net of related debt	278,136	226,132	353,875	359,851
Restricted	8,280	8,280	17,587	17,587
Unrestricted	89,120	90,493	8,467	(4,185)
Total net assets	<u>\$ 375,536</u>	<u>\$ 324,905</u>	<u>\$ 379,929</u>	<u>\$ 373,253</u>

Governmental Activities

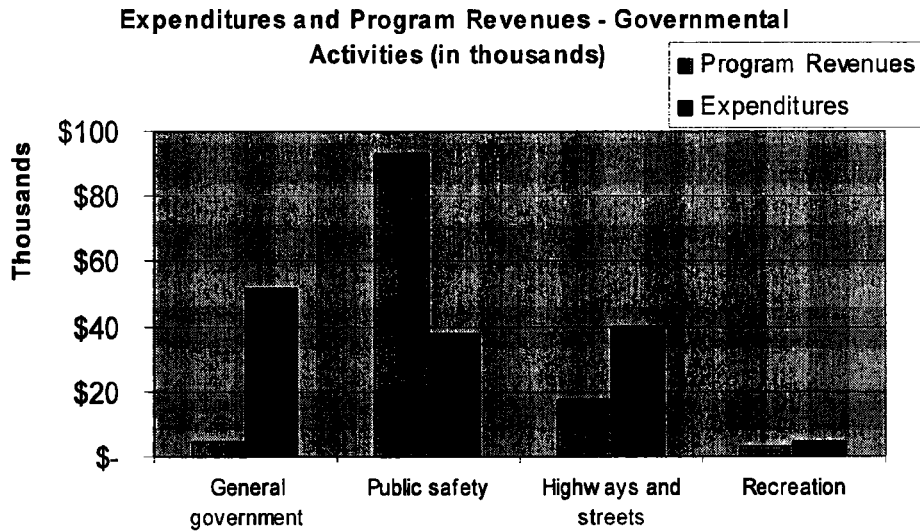
The cost of all Governmental activities this year was \$133,017. \$11,622 of this cost was paid for by those who directly benefited from the programs, \$106,298 was subsidized by grants received from other governmental organizations for operations and capital activities. Overall governmental program revenues, including intergovernmental aid and fees for services were \$117,920. General revenues, including taxes and investment earnings totaled \$65,728.

The Town’s programs include: General Government, Public Safety, Highways and Streets, and Culture and Recreation. Each programs’ net cost (total cost less revenues generated by the activities) is presented below. The net cost shows the extent to which the Town’s general taxes support each of the Town’s programs.

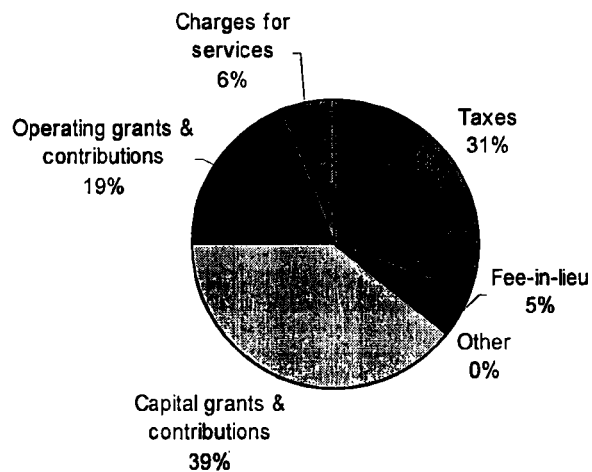
	Governmental activities		Business-type activities	
	<u>6/30/2005</u>	<u>6/30/2004</u>	<u>6/30/2005</u>	<u>6/30/2004</u>
Revenues:				
Program revenues:				
Charges for services	\$ 11,622	\$ 11,460	\$ 55,859	\$ 52,212
Operating grants and contributions	34,298	35,110	-	-
Capital grants and contributions	72,000	17,694	-	-
General revenues:				
Taxes	56,796	51,596	-	-
Fee-in-lieu	8,463	6,144	-	-
Investment earnings	469	510	1,530	996
Transfers in			-	33,772
Total revenues	<u>183,648</u>	<u>122,514</u>	<u>57,389</u>	<u>86,980</u>
Expenses:				
General government	51,642	60,001	-	-
Public safety	37,749	55,045	-	-
Highways and streets	39,498	142,017	-	-
Recreation	4,128	2,361	-	-
Interest on long-term debt	-	-	-	-
Water and garbage	-	-	50,711	39,986
Transfers out	-	33,772	-	-
Total expenses	<u>133,017</u>	<u>293,196</u>	<u>50,711</u>	<u>39,986</u>
Increase/(decrease) in net assets	50,631	(170,682)	6,678	46,994
Net assets, beginning	<u>324,905</u>	<u>495,587</u>	<u>373,253</u>	<u>326,259</u>
Net assets, ending	<u>\$ 375,536</u>	<u>\$ 324,905</u>	<u>\$ 379,931</u>	<u>\$ 373,253</u>

Total resources available during the year to finance governmental operations were \$508,553 consisting of Net assets at July 1, 2005 of \$324,905, program revenues of \$117,920 and General Revenues of \$65,728. Total Governmental Activities expenses during the year were \$133,017; thus Governmental Net Assets were increased by \$50,631 to \$324,905.

The following graphs compare program expenses to program revenues for this year and provide a breakdown of revenues by source for all governmental activities:

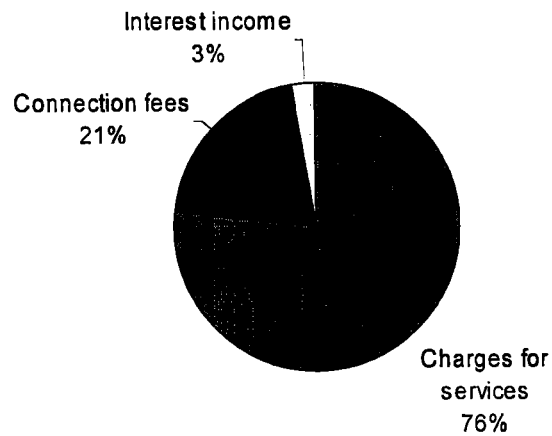


Revenue by Source - Governmental Activities

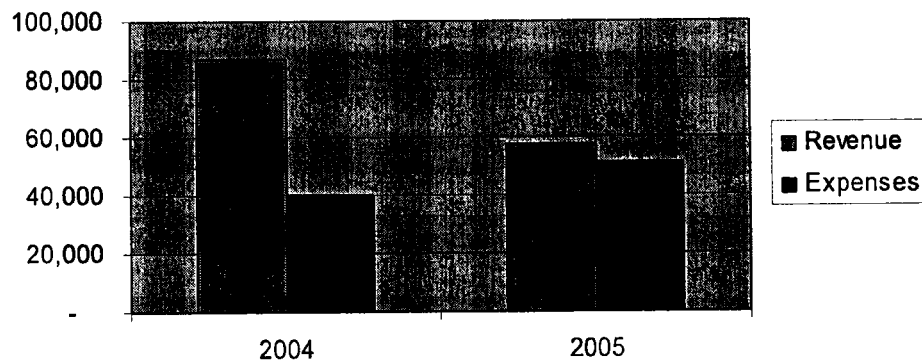


The following graphs provide a breakdown of current year proprietary revenue by source, and a two year comparison of revenue and expenses.

Revenues by Source - Current Year



Comparison of Revenues & Expenses by Year



General Fund Budgetary Highlights

The final appropriations for the General Fund at year-end were \$35,979 less than actual expenditures. Actual revenues were less than the final budget by \$46,352 mainly due to Intergovernmental and other revenue. No budget amendments were made during the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets of the Town are those assets that are used in performance of Town functions. Capital Assets include land, buildings, and equipment. At the end of fiscal year 2005, net capital assets totaled \$376,136, and \$617,101 for governmental and business type activities respectively. Depreciation on capital assets is recognized in the Government-Wide financial statements. (See note 6 to the financial statements.)

Debt

At the end of fiscal year 2004, the Town's total government and proprietary debt outstanding was \$98,000 and \$280,932 respectively. During the fiscal year, the Town's debt decreased by \$24,025. (See note 7 to the financial statement.)

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In considering the Town Budget for fiscal year 2005/2006, the Town Board and management estimated the budget for operating revenues and expenditures will be similar to this year.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kingsley Nelson, Town Clerk of the Town of Glendale, P.O. Box 220, Glendale, UT, 84729 or call 435-648-2341.

BASIC FINANCIAL STATEMENTS

TOWN OF GLENDALE
Statement of Net Assets
June 30, 2005

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 98,687	\$ 21,729	\$ 120,416
Receivables (net of allowance)	23	4,444	4,467
Temporarily restricted assets:			
Cash and cash equivalents	-	17,587	17,587
Capital assets (net of accumulated depreciation):			
Land	20,902	-	20,902
Buildings	169,964	-	169,964
Equipment	185,270	-	185,270
Distribution system	-	617,101	617,101
Total assets	<u>474,846</u>	<u>660,861</u>	<u>1,135,707</u>
Liabilities			
Accounts payable and other current liabilities	1,310	-	1,310
Noncurrent liabilities:			
Due within one year	11,000	17,706	28,706
Due in more than one year	87,000	263,226	350,226
Total liabilities	<u>99,310</u>	<u>280,932</u>	<u>380,242</u>
Net Assets			
Invested in capital assets, net of related debt	278,136	353,875	632,011
Restricted for:			
Debt service	-	17,587	17,587
Cemetery	8,280	-	8,280
Unrestricted	89,120	8,467	97,587
Total Net Assets	<u>\$ 375,536</u>	<u>\$ 379,929</u>	<u>\$ 755,465</u>

The accompanying notes are an integral part of the financial statements

TOWN OF GLENDALE
Statement of Activities
For the Year Ended June 30, 2005

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 51,642	\$ 4,351	\$ -	\$ -	\$ (47,291)	\$ -	\$ (47,291)
Public safety	37,749	4,446	16,636	72,000	55,333	-	55,333
Highways and streets	39,498	-	17,662	-	(21,836)	-	(21,836)
Recreation	4,128	2,825	-	-	(1,303)	-	(1,303)
Total governmental activities	133,017	11,622	34,298	72,000	(15,097)	-	(15,097)
Business-type activities:							
Utility Fund	50,711	55,859	-	-	-	5,148	5,148
Total business-type activities	50,711	55,859	-	-	-	5,148	5,148
General Revenues:							
Taxes:							
Property taxes levied for general purposes					30,428	-	30,428
Sales and use taxes					26,368	-	26,368
Fee-in-lieu					8,463	-	8,463
Unrestricted investment earnings					469	1,530	1,999
Transfers					-	-	-
Total general revenues & transfers					65,728	1,530	67,258
Change in net assets					50,631	6,678	57,309
Net assets - beginning					324,905	373,253	698,158
Net assets - ending					\$ 375,536	\$ 379,931	\$ 755,467

The accompanying notes are an integral part of the financial statements

TOWN OF GLENDALE
Balance Sheet
Governmental Funds
June 30, 2005

	<u>General Fund</u>	<u>Total Governmental Funds</u>
Assets:		
Cash	\$ 98,687	\$ 98,687
Intergovernmental receivables	<u>23</u>	<u>23</u>
Total Assets	<u>\$ 98,710</u>	<u>\$ 98,710</u>
 Liabilities and Fund Balances:		
Liabilities:		
Accrued liabilities	<u>\$ 1,310</u>	<u>\$ 1,310</u>
 Total Liabilities	<u>1,310</u>	<u>1,310</u>
 Fund Balances:		
Reserved	8,280	8,280
Designated for subsequent Year	70,982	70,982
Unreserved/undesignated	<u>18,138</u>	<u>18,138</u>
Total Fund Balances	<u>97,400</u>	<u>97,400</u>
Total Liabilities and Fund Balance	<u>\$ 98,710</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	376,136
Some liabilities, including bonds payable and capital leases, are not due and payable in the current period and therefore are not reported in the funds.	<u>(98,000)</u>
Net assets of governmental activities	<u>\$ 375,536</u>

The accompanying notes are an integral part of the financial statements

TOWN OF GLENDALE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2005

Revenues:	<u>General Fund</u>
Taxes	\$ 63,387
Licenses, permits and fees	4,821
Intergovernmental revenue	106,298
Charges for services	6,526
Interest	469
Other revenues	<u>2,147</u>
Total Revenues	<u>183,648</u>
 Expenditures:	
General government	39,856
Public safety	90,717
Public works/streets	50,498
Culture and recreation	3,950
Capital outlay	<u>-</u>
Total Expenditures	<u>185,021</u>
Excess of Revenues	
Over (Under) Expenditures	<u>(1,373)</u>
 Other Financing Sources (Uses):	
Financing proceeds	-
Operating transfers out	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>
 Net change in fund balances	(1,373)
Fund Balance, Beginning of Year	<u>98,773</u>
Fund Balance, End of Year	<u><u>\$ 97,400</u></u>

The accompanying notes are an integral part of the financial statements

TOWN OF GLENDALE
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
June 30, 2005

Amounts reported for governmental activities in the statement of activities
are different because:

Net change in fund balances - total governmental funds	\$ (1,373)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	41,004
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	11,000
Issuance of long-term debt provides current financial resources in the governmental funds but increases long-term liabilities in the statement of net assets.	<u>-</u>
Change in net assets of governmental activities	<u><u>\$ 50,631</u></u>

The accompanying notes are an integral part of the financial statements

TOWN OF GLENDALE
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2005

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues:				Favorable
				(Unfavorable)
Taxes	\$ 38,538	\$ 38,538	\$ 63,387	\$ 24,849
Licenses, permits and fees	6,000	6,000	4,821	(1,179)
Intergovernmental revenue	111,000	111,000	106,298	(4,702)
Charges for services	5,694	5,694	6,526	832
Fines and forfeitures	500	500	-	(500)
Interest	3,500	3,500	469	(3,031)
Other revenues	64,768	64,768	2,147	(62,621)
Total Revenues	230,000	230,000	183,648	(46,352)
Expenditures:				
General government	35,000	35,000	39,856	(4,856)
Public safety	20,000	20,000	90,717	(70,717)
Highways and streets	34,000	34,000	50,498	(16,498)
Culture and recreation	12,000	12,000	3,950	8,050
Capital outlay	120,000	120,000	-	120,000
Total Expenditures	221,000	221,000	185,021	35,979
Excess of Revenues				
Over (Under) Expenditures	9,000	9,000	(1,373)	(10,373)
Other Financing Sources (Uses):				
Financing proceeds	120,000	-	-	-
Operating transfers out	-	-	-	-
Total Other Financing				
Sources (Uses)	120,000	-	-	-
Net change in fund balances	129,000	9,000	(1,373)	(10,373)
Fund Balance, Beginning of Year	98,773	98,773	98,773	-
Fund Balance, End of Year	\$ 227,773	\$ 107,773	\$ 97,400	\$ (10,373)

The accompanying notes are an integral part of the financial statements

TOWN OF GLENDALE
Statement of Net Assets
Proprietary Funds
June 30, 2005

	<u>Water Fund</u>
Assets:	
Current Assets:	
Cash	\$ 21,729
Receivables (net of allowance)	<u>4,444</u>
Total Current Assets	26,173
Noncurrent Assets:	
Restricted cash and investments	17,587
Property, plant, and equipment	781,316
Accumulated depreciation	<u>(164,215)</u>
Total Assets	<u>660,861</u>
Liabilities:	
Current Liabilities:	
Current portion of long-term debt	<u>17,706</u>
Total Current Liabilities	<u>17,706</u>
Noncurrent Liabilities	
Revenue bonds payable (net of current portion)	<u>263,226</u>
Total Noncurrent Liabilities	<u>263,226</u>
Total Liabilities	<u>280,932</u>
Net Assets:	
Invested in capital assets, net of related debt	353,875
Restricted for debt service	17,587
Unrestricted	<u>8,467</u>
Total Net Assets	<u><u>\$ 379,929</u></u>

The accompanying notes are an integral part of the financial statements

TOWN OF GLENDALE
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2005

	Water Fund
Operating Revenues:	
Charges for services	\$ 44,058
Total Operating Revenues	44,058
Operating Expenses:	
Salaries	240
Service, supplies and other	19,278
Equipment repairs	-
Depreciation	19,533
Total Operating Expenses	39,051
Operating Income	5,007
Non-operating Revenues (Expenses):	
Interest income	1,530
Interest expense and fiscal charges	(11,660)
Connection fees	11,801
Total Non-Operating Revenue (Expense)	1,671
Net income before operating transfers	6,678
Operating Transfers:	
Operating transfers in	-
Change in net assets	6,678
Net assets, Beginning of Year	373,253
Net assets, End of Year	\$ 379,931

The accompanying notes are an integral part of the financial statements

TOWN OF GLENDALE
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2005

	Year Ended June 30, 2005
Cash Flows From Operating Activities:	
Cash received from customers, service fees	\$ 46,339
Cash received from customers, other	-
Cash paid to suppliers	(19,278)
Cash paid to employees	(240)
	<u>26,821</u>
Net cash provided (used) by operating activities	
Cash Flows From Noncapital Financing Activities:	
Operating transfers	<u>-</u>
Cash Flows From Capital and Related Financing Activities:	
Principal paid on long-term debt	(13,025)
Interest paid	(11,660)
Proceeds/Payments from/(to) other funds	-
Connection & impact fees	11,801
	<u>(12,884)</u>
Net cash used by capital and related financing activities	
Cash Flows From Investing Activities:	
Interest on investments	<u>1,530</u>
Net Increase (Decrease) in Cash and Cash Equivalents	15,467
Cash and Cash Equivalents, Beginning of Year	<u>23,851</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 39,318</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Net Operating Income/(Loss)	\$ 5,007
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:	
Depreciation/amortization	19,533
Changes in operating assets and liabilities:	
(Increase)/Decrease in receivables	<u>2,281</u>
Net cash provided (used) by operating activities	<u><u>\$ 26,821</u></u>
Supplemental Schedule of Non-cash Financing and Investing Activities:	
None	\$ -

The accompanying notes are an integral part of the financial statements

TOWN OF GLENDALE
Notes to the Financial Statements
June 30, 2005

NOTE 1. Summary of Significant Accounting Policies

General

The Town of Glendale, Utah (Town) is incorporated under the laws of the State of Utah. The Town operates under a council form of government and provides the following services: public safety, highways and streets, sanitation, water, parks and recreation, public improvements, planning and zoning, and general administration services.

The financial statements of the Town have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town's accounting policies are described below.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1998, generally are followed in both the governmental-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

Reporting Entity

In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Town is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no separate component units combined to form the reporting entity.

The accompanying financial statements include all activities of the Town.

TOWN OF GLENDALE
Notes to the Financial Statements
June 30, 2005

NOTE 1. Summary of Significant Accounting Policies, Continued

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of the inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than as an expenditure. Proceeds from long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the Town are reported as a reduction of a related liability, rather than as expenditures in the government-wide financial statements.

TOWN OF GLENDALE
Notes to the Financial Statements
June 30, 2005

NOTE 1. Summary of Significant Accounting Policies, Continued

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The **General Fund** is used to account for all financial resources applicable to the operations of the Town. It is the only major governmental fund of the Town.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Business type fund financial statements are reported, using the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and become measurable; expenses are recognized in the period incurred.

Business-type Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the Town is that the costs of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges, or where the Town has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriated for capital maintenance, public policy, management control, accountability or other purposes.

The **Water Fund** is used to account for the provision of water and garbage services to the residents of the Town. It is the Town's only major business-type fund.

TOWN OF GLENDALE
Notes to the Financial Statements
June 30, 2005

NOTE 1. Summary of Significant Accounting Policies, Continued

Cash and Investments

Cash includes cash on hand, demand deposits with banks and other financial institutions, deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts and short-term investments with original maturities of three months or less from the date of acquisition. The Town's policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the state treasurer's pool, and other investments as allowed by the State of Utah's Money Management Act. All investments are carried at fair value with unrealized gains and losses recorded as adjustments to interest earnings. Fair market values are based on quoted market prices.

Receivables and Payables

All trade accounts receivable are shown net of an allowance for uncollectibles. Due to the nature of the accounts receivable in governmental type activities, management does not consider an allowance for uncollectible accounts receivable necessary or material. Therefore, no allowance for uncollectible accounts receivable is presented.

Inventories and prepaid items

The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. Also, the Town's inventory of materials and supplies is deemed to be immaterial; thus, no provision for inventory has been made in these financial statements.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Capital Assets

Fixed assets in the proprietary funds are carried at cost. Depreciation is computed using the straight-line method over the assets estimated useful lives.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to income as incurred; significant renewals and betterments are capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

TOWN OF GLENDALE
Notes to the Financial Statements
June 30, 2005

NOTE 1. Summary of Significant Accounting Policies, Continued

Capital assets in governmental funds, which include property, plant, and equipment are reported in the government-wide financial statements. Capital assets are defined as assets with an individual cost of more than \$1,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

In accordance with GASB 34, the Town has opted not to retroactively report infrastructure fixed assets. Infrastructure normally includes assets such as roads, curb and gutter, sidewalks, street lighting, storm drains and other improvements.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings	40 years
Streets & improvements	20 years
Automobiles and trucks	5-7 years
Machinery and equipment	7 years

Accrued Benefits

Accumulated unpaid vacation and other employee benefit amounts are accrued as an expenditure at year end only when the Town has such a liability.

Long-term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the applicable debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

TOWN OF GLENDALE
Notes to the Financial Statements
June 30, 2005

NOTE 1. Summary of Significant Accounting Policies, Continued

Net Assets

Net assets are the difference between assets and liabilities. Net assets invest in capital assets, net of related debt are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by legal limitations imposed on their use by legislation or external restrictions by other governments, creditors or grantors.

Use of Restricted Assets

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

Note 2. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and government-wide statement of net assets:

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities as reported in the government-wide statement of net assets. The differences primarily result from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheet.

Capital related items:

When capital assets (property, plant & equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net asset includes those capital assets among the assets of the Town as a whole.

Cost of capital assets	\$ 451,667
Accumulated depreciation	<u>(75,531)</u>
Net adjustment to decrease fund balance	
total governmental funds to arrive at net	
assets of governmental activities	<u>\$ 376,136</u>

TOWN OF GLENDALE
Notes to the Financial Statements
June 30, 2005

Note 2. Reconciliation of Government-Wide and Fund Financial Statements, Continued

Explanation of differences between governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities:

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances-total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net difference, the elements of this difference of \$(10,827) are as follows:

Capital Outlay	\$ 80,000
Depreciation Expense	(38,996)
Net adjustment to decrease net changes in fund balance - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 41,004</u>

NOTE 3. Stewardship Compliance and Accountability

Budgets and Budgetary Accounting

Annual budgets are reported and adopted by the Town Council on or before June 22 for the fiscal year commencing the following July 1 in accordance with State Law. The operating budget includes proposed expenditures and the proposed sources of financing for such expenditures. Prior to June 22, a public hearing is conducted to obtain taxpayer input. Budgets are adopted and control of budget appropriations is exercised, under State Law, at the department level. Budget amendments are required to increase expenditure budgets and are adopted, in a public hearing, before the end of the fiscal year.

The General Fund budget is prepared using the modified accrual basis of accounting. Budgets for the proprietary fund types are prepared using the accrual basis of accounting.

During the current fiscal year, there were no amendments to the budget.

TOWN OF GLENDALE
Notes to the Financial Statements
June 30, 2005

NOTE 3. Stewardship Compliance and Accountability, Continued

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Town.

Taxes

Property taxes are collected by the Kane County Treasurer and remitted to the Town in two installments in December and March. Taxes are levied each October on the taxable value listed as of the prior January 1 for all real property located in the Town. Taxable values are established by the County Assessor at a percent of the fair market value on primary residential property and 100 percent of the fair market value on non-primary residential property. A revaluation of all property is required to be completed no less than every five years. Taxes are due and payable on November 1 and delinquent after November 30 of each year, at which time they become liens if not paid.

NOTE 4. Deposits and Investments

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The Town follows the requirements of the Utah Money Management Act (*Utah code*, Section 51, chapter 7) in handling its depository and investment transactions. The Act requires the depositing of Town funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Deposits

Custodial Credit Risk

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The Town does not have a formal policy for custodial credit risk. As of June 30, 2005, \$0 of the Town's bank balance of \$81,400 was exposed to custodial credit risk because it was uninsured and uncollateralized.

TOWN OF GLENDALE
Notes to the Financial Statements
June 30, 2005

NOTE 4. Deposits and Investments, Continued

Investments

The Money Management Act defines the types of securities authorized as appropriate investment for the Town and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the Town to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poor's, bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated, 1953*, as amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gain or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

TOWN OF GLENDALE
Notes to the Financial Statements
June 30, 2005

NOTE 4. Deposits and Investments, Continued

As of June 30, 2005 the government had the following investments and maturities:

Investment Type	Fair Value	Investments Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
Local Government Pooled Investment Fund	\$ 55,980	\$ 55,980	\$ -	\$ -	\$ -
Total Fair Value	<u>\$ 55,980</u>	<u>\$ 55,980</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act.

At June 30, 2005 the Town had the following investments and quality ratings:

Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
Local Government Pooled Investment Fund	\$ 55,980	\$ -	\$ -	\$ -	\$ 55,980
Total Fair Value	<u>\$ 55,980</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,980</u>

TOWN OF GLENDALE
Notes to the Financial Statements
June 30, 2005

NOTE 5. Receivables

Receivables shown in the balance sheet of the utility fund are amounts due from residents for water and garbage disposal service.

Management considers all receivables to be collectable. Therefore, an allowance for doubtful accounts is not presented and is not considered material.

NOTE 6. Capital Assets

The following table summarizes the changes to the fixed assets during the year ended June 30, 2005:

Governmental Activities:	Balance 6/30/2004	Additions	Deletions	Balance 6/30/2005
Capital assets, not being depreciated:				
Land	\$ 20,902	\$ -	\$ -	\$ 20,902
Total capital assets, not being depreciated	<u>20,902</u>	<u>-</u>	<u>-</u>	<u>20,902</u>
Capital assets, being depreciated:				
Buildings & improvements	184,367		-	184,367
Equipment	<u>166,398</u>	<u>80,000</u>	<u>-</u>	<u>246,398</u>
Total capital assets, being depreciated	<u>350,765</u>	<u>80,000</u>	<u>-</u>	<u>430,765</u>
Less accumulated depreciation for:				
Buildings & improvements	(9,654)	(4,749)	-	(14,403)
Equipment	<u>(26,881)</u>	<u>(34,247)</u>	<u>-</u>	<u>(61,128)</u>
Total accumulated depreciation	<u>(36,535)</u>	<u>(38,996)</u>	<u>-</u>	<u>(75,531)</u>
Total capital assets, being depreciated, net	<u>314,230</u>	<u>41,004</u>	<u>-</u>	<u>355,234</u>
Governmental activities capital assets, net	<u>\$ 335,132</u>	<u>\$ 41,004</u>	<u>\$ -</u>	<u>\$ 376,136</u>

Depreciation expense was charged to the functions/programs of the Town as follows:

Governmental Activities:	
General government	\$ 11,786
Public safety	27,032
Recreation	178
Total depreciation expense - governmental activities	<u>\$ 38,996</u>

TOWN OF GLENDALE
Notes to the Financial Statements
June 30, 2005

NOTE 6. Capital Assets, Continued

Business Type Activities:	Balance 6/30/2004	Additions	Deletions	Balance 6/30/2005
Capital assets, being depreciated:				
Water system & improvements	781,316	-	-	781,316
Total capital assets, being depreciated	781,316	-	-	781,316
Less accumulated depreciation for:				
Water system & improvements	(144,682)	(19,533)	-	(164,215)
Total accumulated depreciation	(144,682)	(19,533)	-	(164,215)
Total capital assets, being depreciated, net	<u>\$ 636,634</u>	<u>\$ (19,533)</u>	<u>\$ -</u>	<u>\$ 617,101</u>

TOWN OF GLENDALE
Notes to the Financial Statements
June 30, 2005

NOTE 7. Long-Term Debt

The following is a summary of long-term debt for the year ended June 30, 2004.

Governmental activities:

State of Utah Community & Economic Development Note, originally issued for \$120,000 dated August, 2003, due in annual installments ranging from \$13,275 to \$14,174 bearing interest at 2.5% maturing March, 2013. \$ 98,000

Notes Payable-Water Fund:

Water system note payable to Kane County Water Conservancy District, originally issued for \$24,867 dated July 15, 1999, due in annual installments of at least \$2,000 including 3% interest through July 15, 2002 and 0% interest through July 15, 2010 4,149

Water Revenue Bonds:

United States Department of Agriculture Water Revenue Bond, originally issued for \$70,000 dated August 20, 1976, due in monthly installments of \$343 including 5% interest through August 20, 2016. 26,498

United States Department of Agriculture Water Revenue Bond, originally issued for \$92,200 dated May 16, 1989, due in monthly installments of \$525 including 6.25% interest through May 16, 2029. 42,364

United States Department of Agriculture Water Revenue Bond, originally issued for \$132,500 dated August 16, 1996, due in monthly installments of \$598 including 4.25% interest through August 16, 2036. 118,921

State of Utah Drinking Water Board water revenue bond, originally issued for \$114,000 dated February 15, 1999, due in annual installments of \$5,000 to \$7,000 including 2.12% interest through January 16, 2020. 89,000

Total Revenue Bonds Payable 276,783

Total Long-Term Debt \$ 378,932

TOWN OF GLENDALE
Notes to the Financial Statements
June 30, 2005

NOTE 7. Long-Term Debt, Continued

The following is a summary of changes in long-term debt for the year ended June 30, 2005

Governmental activities:

	Principal June 30, 2004	Additions	Retirements	Principal June 30, 2005	Current Portion
2003 Economic Development	\$ 109,000	\$ -	\$ 11,000	\$ 98,000	\$ 11,000
Total governmental activity long-term liabilities	109,000	-	11,000	98,000	11,000
Business-type activities:					
Notes Payable	\$ 4,149	\$ -	\$ -	\$ 4,149	\$ 4,149
Water Revenue Bonds	289,808	-	13,025	276,783	13,473
Total business-type activity long-term liabilities	293,957	-	13,025	280,932	17,622
Total Long-term Debt	\$ 402,957	\$ -	\$ 24,025	\$ 378,932	\$ 28,622

The annual requirements to amortize long-term debt outstanding as of June 30, 2005 are as follows:

Years ending June 30:	Principal	Interest	Total
2006	28,622	13,451	42,073
2007	25,945	12,598	38,543
2008	26,447	11,691	38,138
2009	26,974	10,757	37,731
2010-2014	133,222	38,438	171,660
2015-2019	47,295	23,382	70,677
2020-2024	26,145	16,881	43,026
2025-2029	23,967	11,913	35,880
2030-2034	30,001	5,879	35,880
Thereafter	10,314	369	10,683
	<u>\$ 378,932</u>	<u>\$ 145,359</u>	<u>\$ 524,291</u>

TOWN OF GLENDALE
Notes to the Financial Statements
June 30, 2005

NOTE 8. Reserved and Designated Fund Balances

Reserves and designations are used to indicate that a portion of the fund balance is not available for appropriation or expenditure, or is legally segregated for a specific future use. At June 30, 2005, the Town of Glendale's reserved fund balances are as follows:

General Fund:

Cemetery \$ 9,505

Water Fund:

Debt Reserves \$ 17,587

NOTE 9. Defined Benefit Pension Plan

The Town has no full-time employees; thus, the Town does not participate in the Utah State-Wide Local Government Retirement Systems.

NOTE 10. Segment Information - Enterprise Fund

The Town maintains one enterprise fund (water fund) which provides water utility and garbage collection services to its citizens. All activities in the fund are included in the proprietary column in the financial statements.

NOTE 11. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omission; and natural disasters. The Town maintains insurance for general liability, auto liability, and employee dishonesty through Utah Local Government's Insurance Trust.